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SUBJECT: AUSTRIA: MERGER OF RIGHTWING PARTIES MARRED BY CORRUPTION CHARGES

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VIENNA 00000099 001.2 OF 002

**¶1.** (U) Summary: Members of the Alliance for the Future of Austria's (BZO) Carinthia branch voted overwhelmingly January 17 to join the Freedom Party (FPO) in a national alliance, despite recent charges of corruption and mismanagement against the leading proponent of the accord. Some BZO leaders opposed the alliance plan and now hope to keep the party going at the national level, but it is unlikely to survive in the long-run without control of its former stronghold of Carinthia. The FPO was hoping to get a political boost from the merger, but has instead been tarnished by the scandals in Carinthia. End summary.

BZO Rank and File Back Merger

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**¶2.** (U) Delegates of the Carinthian BZO voted overwhelmingly in favor of a partial merger with the FPO at a January 17 party caucus. After the vote, opponents of the merger promised to re-found the BZO in Carinthia. The vote came in spite of recent corruption and mismanagement charges against Uwe Scheuch, chairman of the Carinthia BZO and leader of the merger effort. Shortly before the convention, the Austrian press broadcast portions of a recorded phone conversation in which Scheuch promised to help a potential Russian investor attain Austrian citizenship in exchange for a party contribution. Scheuch has admitted the conversation took place but has denied wrongdoing, saying that the investment never materialized and no money changed hands. Prosecutors are investigating the case.

**¶3.** (U) The report followed previous mismanagement charges against Scheuch and other Carinthian political figures in connection with the scandal surrounding the Carinthia-based Hypo Alpe Adria bank (reftel B).

**¶4.** (U) The merger is modeled on the CDU-CSU alliance in Germany, with the Carinthian party called the Freedom Party of Carinthia (FPK). Three former BZO MPs from Carinthia have formed an informal FPK caucus in parliament (reftel A) and will vote with the FPO. It is not clear whether enough (five) Carinthian MPs will switch sides for the FPK to win formal caucus status.

Some Call for Early Election

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**¶5.** (U) The split in the Carinthian BZO and the charges against Scheuch have triggered calls for early elections in the state. A recent poll indicated that support for the breakaway FPK has dropped from the 45 percent scored by the BZO to 25 percent in the wake of the allegations against Scheuch. The conservative People's Party (OVP), the FPK's junior coalition partner in the state, could pressure the FPK to hold early elections, but OVP leaders have yet to decide on the matter.

BZO Unlikely to Last

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¶ 16. (U) Scheuch's victory at the January 17 party meeting bolstered the widespread view that the BZO will not long survive now that it has lost control of its branch in Carinthia, which had been the party's stronghold. Joerg Haider, the immigrant-bashing populist leader who died in a 2008 car wreck, founded the BZO in 2005 after leaving the FPO. Under Haider's leadership, the BZO garnered a surprising 11 percent of the vote in the 2008 national elections. But since Haider's death the party has fared miserably in provincial elections outside of Carinthia.

¶ 17. (U) Nevertheless, Josef Bucher, leader of the national BZO, appears determined to keep his downsized party going until the 2012 elections. He still controls the majority of the BZO's 21 delegates in the national parliament. Bucher has tried to re-brand the BZO by avoiding harsh, FPO-style anti-immigrant rhetoric and adopting a less socially conservative, more economically "liberal" (limited government, pro-free market) platform. However, the BZO is expected to do poorly in three state elections in 2010 and seems unlikely to emerge as a factor in 2012.

Comment: Not What Strache Hoped For

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¶ 18. (SBU) FPO leader Heinz-Christian Strache was clearly hoping that the merger with the Carinthia BZO would create an image of rightwing unity that would bolster the FPO's standing for the Vienna elections in October. For now at least, the scandals surrounding Scheuch and the resistance of some Carinthian BZO MPs to the merger have robbed him of that victory. Strache is now being accused of defending Scheuch and other shady Carinthians, undermining his self-defined image as an anti-corruption crusader.

VIENNA 00000099 002.2 OF 002

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